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TAGS: ELAB EAGR ECON PGOV PINR MX
SUBJECT: SUGAR UNIONS SEEK SWEETER DEAL ON RETIREMENT
BENEFITS

¶1. SUMMARY: Mexico,s largest sugar workers unions have threatened to go on strike beginning January 21, if an agreement is not reached on member retirement benefits. At issue is a disagreement with the sugar mill operators over whom (the industry, the Mexican Social Security Agency or both) is responsible for paying retirement benefit and at what age workers are allowed to retire. Conflicting interpretations of an arbitration ruling made by Mexican government labor authorities initially allowed both parties to claim the law was on their side. The intervention of Mexican Labor Secretary, Javier Lozano, has convinced the two sides to back away from their initial hard line positions but it has not removed the possibility of a strike. The threat of a sugar workers strike raises the possibility of an increase in the cost of sugar at a time when Mexico is already experiencing unpleasant political moments and concern for possible economic difficulties resulting from recent increases in the cost of tortillas and milk. The question of worker retirement benefits is an issue that has broader public finance ramifications beyond the sugar workers unions. END SUMMARY.

Sugar Workers Set to Strike

¶2. Over the past week, Enrique Ramos Rodriguez, the leader of the Workers Unions of the Mexican Sugar Industry (STIASRM), has repeatedly stated that his organization is prepared to go strike at one minute after mid-night on January 21 if the union,s concerns are not addressed. The STIASRM, with some 45,000 registered members, is perhaps Mexico,s largest sugar worker union. The threatened January 21, strike is a continuation of a one week labor stoppage that began on November 16, 2006. Of the 58 major sugar mills in the country 51 would be impacted by the strike should it take place. The January 21 date of the strike would occur right at the high point of the 2006-2007 harvest season. Industry sources indicate that a strike of much more than a week would seriously disrupt this year,s harvest. At issue is the question of worker retirement benefits.

¶3. According to STIASRM, the union is prepared to strike in order to obtain the benefits negotiated in a 1998 labor agreement. Under the terms of that agreement union workers were eligible for retirement at age 60 and once retired were entitled to a pension from the Mexican Social Security Agency, IMSS, with a matching 100 percent contribution paid by mill operators of the sugar industry. The union is

insisting that the mill operators honor the terms of this agreement which it estimates would, at most, increase the industry,s labor cost by approximately 14 percent over an extended period. The union also claims that since sugar workers, on average, earn very low wages the cost of the 1998 labor agreement would be gradual beginning with some 3,000 workers schedule to retire in 2007.

Mill Operators Claim the Law Is On Their Side

¶4. Not surprisingly, Mexico,s sugar mill operators see things a bit differently and their position is not without reason. In August of 2002 the Mexican government issued a broad labor arbitration ruling that could be seen as invalidating the 1998 agreement. Under the terms of the GOM,s 2002 ruling various industrial workers were required to convert from private retirement plans to the national pension plan administered by IMSS. At the time this conversion seemed logical since all employers in the sugar industry were already required to pay into the IMSS retirement/pension plan. Moreover, under the normal terms of the IMSS national pension plan workers are not eligible to retire until age 65.

¶5. As a consequence of the GOM,s 2002 ruling the sugar mill operators believe that by paying into IMSS they are already meeting their legal obligations to workers. The mill operators position is that for them to have to match what retiring workers received from IMSS would be tantamount to doubling the pension benefit of each retiring employee. Moreover, the mill operators argue, since all workers receiving IMSS pension benefits retire at age 65, they do no see any legal basis for STIASRM,s insistence that its members be treated differently than all other Mexican

workers. As a gesture of good faith the mill operators have offered to pay STIASRM members who retire at age 65 an additional benefit that would raise overall labor costs by approximately 4 percent. This offer has been rejected by the sugar workers union.

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Labor Secretary Dilutes the Tensions (A Little
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¶6. Because of the very real possibility of a disruptive strike the GOM,s recently appointed Secretary of Labor, Javier Lozano, personally intervened in the negotiations between the sugar workers union and the mill operators. Initially both parties to the negotiations insisted that the law was on their side and refused to move very much from their original positions. However, after considerable arm twisting Secretary Lozano convinced both side to step away from their hard line negotiating stances.

¶7. On the plus side, both the STIASRM and the mill operators have now agreed to negotiate a resolution to their differences that sets aside both the 1998 labor agreement and the 2002 arbitration ruling by the GOM. On the negative side, the union has not changed the start date for its schedule strike which means that parties have less than two days to resolve an issue that has been ongoing since November of last year. Both sides claim they want a reasoned resolution to their differences but the union as reaffirmed it willingness to strike and mill operator spokespersons have stated that the industry has sufficient sugar stocks to meet current consumer needs.

More Than Just Sugar On the Table

¶8. As a backdrop to the negotiations between the STIASRM and

the mill operators Mexico is currently experiencing a number of unpleasant political moments and concerns for possible economic difficulties resulting from recent increases in the cost of tortillas and milk. Considerable government time and media attention has been devoted to discussing the reasons for and dealing with the possible consequences resulting from the rise in the cost of these two basic food items. Politicians have been accused of grand standing, private business have been accused of speculating and the Mexican public appears increasingly frustrated over what seems to many as an unreasonable raise in the cost of items that are basic necessities for the country,s poorest citizens. No one can predict the economic or political consequences that would happen if a strike in the sugar industry caused a price increase in another basic food items.

Comment

¶9. Over and above the consequences of a possible sugar price increase is the question of pension/retirement benefits. One of the major issues facing Mexican industry and organized labor is the topic of retirement benefits. If the mill operators are exempt from any responsibility for negotiated labor agreements, it could set a precedent for other industries to follow. Most Mexican employers over a certain size are required to pay into the IMSS administered national pension plan based on the wages paid to each employee. A significant number of employers do not make these payments claiming that it would make their businesses unprofitable. Many who do pay into Mexican Social Security Agency under-report their employees salaries so as to reduce the cost of their payments to IMSS.

¶10. This lack of payment (or under payment) makes the financial stability of IMSS extremely questionable. That in turns complicates the process of legal labor reform since many workers believe that the generous protections currently enshrined in law may be the thing that they can count on in their retirement. Few, if any Mexicans, believe that they will be able to live on whatever retirement benefits that perhaps, someday, they might get from IMSS. These factor complicate labor bargaining issues and underscore the increasing public worries of the GOM about the large negative impact of pension obligations on public finances.

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